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VIA ELECTRONIC FILING

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20054

Re: PETITION FOR INTERCONNECTION OF NEUTRAL TANDEM, INC.
PURSUANT TO 47 U.S.C. §§ 201(a) AND 332(c)(1)(B), WC Docket No 06-159

Dear Ms. Dortch:

On May 14, 2007, the undersigned met with the following members of the Wireline Competition Bureau Staff: Don Stockdale, Al Lewis, Victoria Goldberg, Dana Lichtenberg and Jay Atkinson. During the meeting, Level 3 raised certain policy concerns that the FCC should consider as it decides the Neutral Tandem-Verizon Wireless proceeding. The discussion focused on the issues raised in the attached PowerPoint presentation.

Sincerely,

A handwritten signature in black ink that reads "Wm. P. Hunt III".

William P. Hunt III

Interconnection issues raised by Neutral Tandem – Verizon Wireless

Level 3 Communications

May 15, 2007

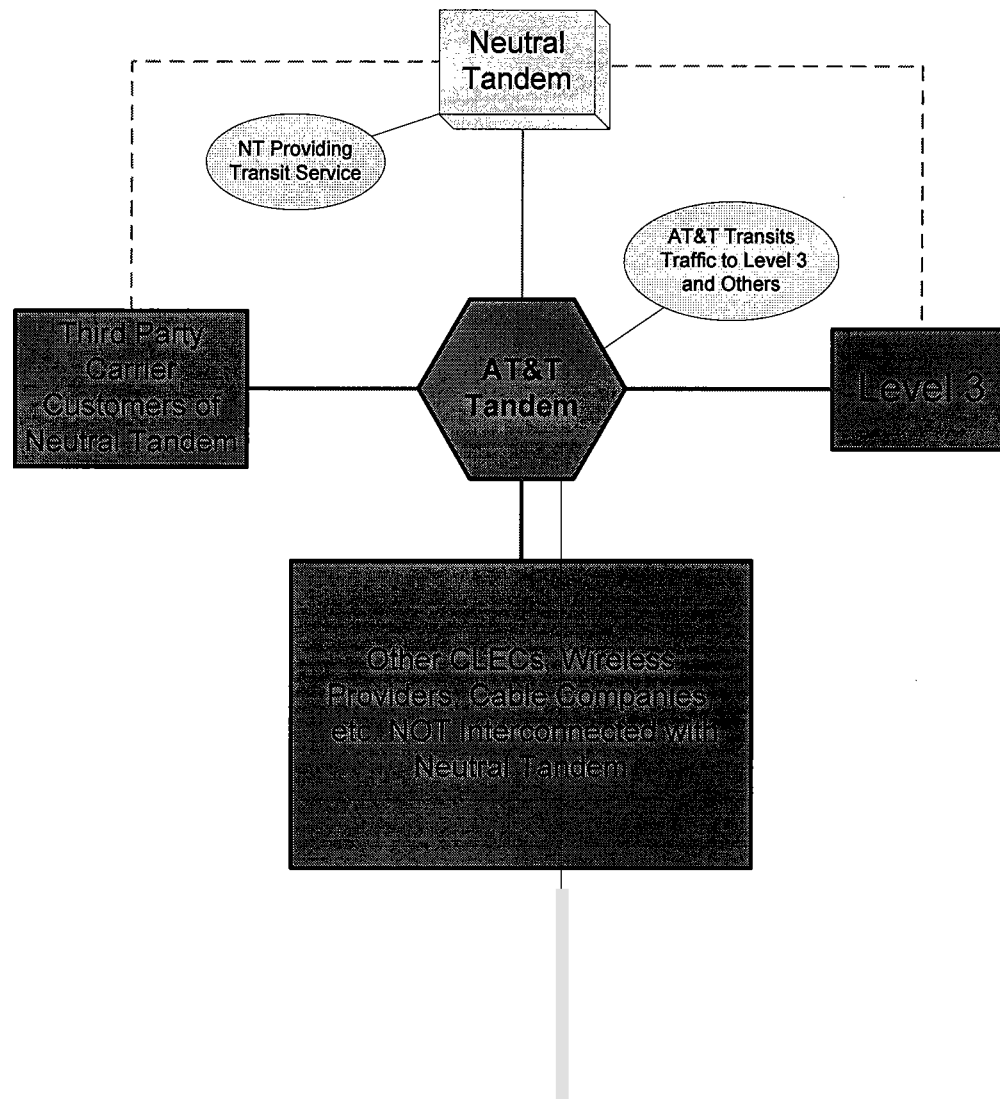
Agenda

- Overview
- Level 3-Neutral Tandem dispute
- Neutral Tandem's state efforts
- Neutral Tandem's view under oath
- Neutral Tandem-Verizon Wireless
- Concerns

Overview

- Neutral Tandem's (NT) goal is to establish a regulatory regime at the federal and state levels that permits NT to sell termination without paying for it.
 - NT dodges the obligation to pay reciprocal compensation, even though it sells its customers the ability to terminate on the networks of third-party carriers (with a low likelihood of actually having to pay reciprocal compensation).
 - NT asks the FCC and state PUCs to facilitate this arbitrage scheme through mandated interconnection and traffic exchange, even among non-ILECs who do not have significant market power
 - NT is not acting as a commercial wholesale carrier under *Time Warner*, in which case it would pay reciprocal compensation
- Neutral Tandem cloaks a commercial dispute as national security, public interest issue
- Practical result of Neutral Tandem's petition is perpetual free interconnection and traffic exchange to other carrier's networks

Transit Interconnection



Level 3-Neutral Tandem dispute

Level 3, NT executed a traffic exchange agreement in 2004

- One-year term
- 30 days notice of termination
- Initial Agreement covered three markets
 - “Order creep” expansion to 17 markets
- Under Level 3-NT agreement, NT paid Level 3 a variable rate for terminating traffic on a per MOU basis (called a “Usage Sensitive Transport Recovery Charge”)

Level 3-Neutral Tandem dispute

- Jan. 30 2007, Level 3 provides notice of termination of contract and traffic exchange effective March 2. Level 3 offers to negotiate new agreement
- Level 3 extends termination date to March 23
- When financial agreement is not reached, NT files complaints in 8 states claiming a right to direct interconnection on non-discriminatory terms” as ILECs.
 - NY, GA, CT, MN, IL, CA, MI, FL
- Level 3 extends traffic exchange termination date to June 25 to allow NT adequate-time to notify customers.
 - Despite requests from Level 3, NT never notifies its customers of need to reroute traffic to Level 3 after June 25

State proceedings

- NT ignores federal Act
- NT argues state laws mandate direct interconnection; commissions must set terms, conditions
- Neutral Tandem argues it must be treated the same as the ILEC even though it is not comparable:
 - ILEC providing transit is COLR; NT has invited itself into the traffic flow between *its customer* and the terminating LEC
 - Who else would provide transit on as broad a scope if not the COLR ?
 - NT argues it has no obligation to pay terminating carriers although it is selling transit and *de facto* termination
 - NT cherry-picks single economic term from contracts or state commission orders
- NT argues that direct interconnection and traffic exchange must be free and perpetual even though commercial terms say otherwise
 - See exchange on next slide

Neutral Tandem's view, under oath

- Chairman Baker: It would be renewed or it might be renewed or it's up to the parties then at that time, if the relief is granted that you are requesting, then to make a decision again whether the termination agreement would be renewed or is there an option to discontinue it completely?
- Neutral Tandem CEO Rian Wren: Well, I think we would ask that the terms and conditions would be addressed by the parties. Should either party not be doing anything in violation of the contract, it should renew, because essentially the terminating party has the phone numbers and the only way to continue to complete calls to the phone numbers, while they're an active carrier, is to allow for that process to continue, unless either Neutral Tandem violates that termination agreement by not providing quality terminations or doing things that are not appropriate, or the carrier decides not to hold out phone service to customers that other people want to reach.
- *In the Matter of Neutral Tandem Inc. for Interconnection with Level 3 Communications and Request for Emergency Relief; Georgia Public Service Commission, Docket No. 24884-U, Transcript at page 122, Lines 3-19*

Neutral Tandem – Verizon Wireless

- Contract terminated according to agreed upon terms
- Verizon Wireless's business rationale for termination similar to Level 3
- NT files complaint to prevent removal of physical interconnection facility with a non-ILEC
- NT asserts its services are in public interest
- NT asks regulators to substitute their business judgment for that of the terminating carrier
- NT Forces obligation to pay terminating compensation onto its customers although the terminating carrier has no relationship with the originating carrier and NT is selling the ability to terminate

Concerns

- NT's view means that a CLEC could never disconnect NT even if NT was doing nothing to pay termination or ensure that its customers were paying the terminating carrier
- FCC should:
 - Recognize that different regulatory and economic regimes are required when transit is provided by a COLR and a competitive provider
 - Reaffirm that direct interconnection between non-ILECs is the result of commercial negotiations
 - Reaffirm that physical interconnection is subject to unwinding as set out in the contract
- If FCC wants to compel direct interconnection between CLECs and transit providers, it must answer some vexing questions:
 - How should terminating LECs be compensated for costs associated with multiple, duplicative direct interconnection networks
 - How should intercarrier compensation between the originating carrier, the transiting carrier and the terminating carrier be resolved?
- Neutral Tandem is unnecessarily turning transit into an regulatory arbitrage business; the business is sustainable based on purely commercial negotiations between CLECs